ILLINOIS BUSINESS REVIEW

A MONTHLY SUMMARY OF BUSINESS CONDITIONS FOR ILLINOIS

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HIGHLIGHTS OF BUSINESS IN JUNE

Whatever doubts there may have been about the continuation of the present boom at record levels through 1950 were dispelled by our military intervention in Korea. Many sectors of the economy are already operating at all-time peaks with no letdown in sight. It therefore remains to be seen whether the additional needs of the military forces can be supplied without a further upward spiral of prices.

At the end of June, the Bureau of Labor Statistics weekly wholesale price index stood at 157 percent of the 1926 average, 0.1 percent above May, and 2.3 percent above June, 1949. Meats, metals, and building materials were largely responsible for the increase on both the year-to-year and month-to-month bases. The daily index of 28 sensitive commodity prices also rose during the month, up 1.5 percent over May.

Industrial Production at All-Time Peak

Preliminary estimates indicate that the Federal Reserve index of industrial production in June may have exceeded the previous peak of 195 in October and November of 1948. As in previous months, durable-goods production accounts for most of the increase, with steel production going continuously at over 100 percent of theoretical capacity, automobile output running at the incredible rate of 10,000,000 vehicles a year, and building material, furniture, and household appliance production at capacity levels. Soft goods production may also be at a peak, as output of rubber, petroleum, and chemical and paper products continues at or near capacity.

Reflecting the boom in industrial activity is the rise in electric-power output to a weekly average of 6 billion killowatt-hours, only slightly below the peak rate of 6.1 kilowatt-hours weekly in late January and early February. The increase is all the more significant because June and July generally mark the seasonal lows in electric power consumption.

Construction Continues to Rise

Construction activity in June rose by 10 percent, to $2.4 billion. Private residential construction accounted for almost half of this increase, though all major categories of construction recorded gains. As compared with last June, construction expenditures were up 20 percent, with private building up 26 percent and public building up 5 percent.

The value of new construction put in place in 1950 is expected to aggregate $26 billion, according to revised government estimates. This would be 14 percent above the revised estimate of $22.6 billion of new construction in 1949. So far this year, construction outlays have been 17 percent above the first six months of last year, but government economists expect a seasonal downturn in the second half of 1950. Private home building is expected to amount to $11 billion in 1950, 33 percent above the 1949 level.

Employment Up

Employment in June rose by 1.7 million, or 2.9 percent, to 61.5 million. This is only 130,000 below the record employment level of 61.6 million in July, 1948. Agricultural employment rose to 9.0 million, up seasonally by one million over the May level. Nonfarm employment was up 750,000 to 52.4 million.

Unemployment rose for the first time since February. At 3.4 million it was 300,000 above the May level but 400,000 below last June. However, the increase over May was considerably less than the expected seasonal rise and was due to the entry into the labor force of persons just out of school, many of them seeking temporary employment only. An encouraging sign is the reduction in unemployment among adult workers.

Manufacturers' Sales, Orders Up

Manufacturers' sales, seasonally-adjusted, rose 9 percent in May to a postwar high of $20.1 billion. Durable-goods industries' sales were up 10 percent to $8.8 billion, while sales of nondurable-goods manufacturers increased 8 percent to $11.3 billion. Inventories rose slightly in both categories. Indicative of the boom in durable goods sales is the fact that nondurable-goods inventories, at $17.3 billion, are just about level with inventory holdings last May, but the current $14.2 billion worth of durable-goods inventories is 12 percent below the holdings in May, 1949.

New orders of manufacturers continued to rise in May, but this time the entire increase of 9 percent above April was concentrated in nondurable goods. Since the $11.0 billion of new orders of nondurable goods in May exceeded sales, some increase in unfilled orders of these manufacturers was indicated.

Special feature: NATIONAL FARM LEGISLATION · By H. C. M. Case · Page 8

ILLINOIS BUSINESS REVIEW

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Full Employment Policy

Now that the scare of the '49 recession has completely passed, there is some tendency to regard all the government's efforts to reduce unemployment and aid distressed areas as just a mistake. This completes the swing, in the course of two years, from all-out efforts to combat inflation to careful searching for means of stopping the recession, and back again toward the opposite extreme. The lack of stability in attitudes and approach calls attention to the need for more clearly defined policy. We seem committed to action that would prevent both inflation and high unemployment. But we do not seem at all sure of just when such action should be taken or just what kind of action it should be.

Criteria for Action on Employment

The President's Council of Economic Advisers, in its January report, set a "maximum employment target" that would leave unemployment "not in excess of 2 or 2½ million." This was regarded as a range that represents neither a labor market so tight as to "produce general difficulties in labor supply" nor a volume of unemployment so large that "positive government action" would be called for. Purely as a goal for maximum employment, these figures offer little basis for quarrel. As criteria for action, they seem definitely lacking. For, with 2 million unemployed, some labor markets will be definitely tight while others are deficient in job opportunities; and with 2½ million unemployed, some labor markets will still be tight and the important question is still whether action is called for.

It should be evident that discussion of unemployment in these global terms has meaning only as an average or a seasonally adjusted total, since changes from month to month are affected by seasonal and other temporary factors, such as strikes. Placing too much emphasis on temporary fluctuations of this kind can only lead to wrong conclusions about the situation or its remedies. The same may be true when unemployment is concentrated in particular localities or occupations, as a result of conditions that cannot be corrected by action to increase the general level of employment. The situations in which the nature and location of unemployment, as well as its total volume, are important in determining the criteria for action are innumerable.

Even when attention is confined to the more general aspects, there are difficulties in defining employment goals. Thus, the absence of inflation or deflation in any situation does not ensure a sound employment situation. Unemployment can rise too far in a period of relative price stability; and shifts in employment do not necessarily coincide with changes in price levels. Inflation, for example, usually has a forward-looking quality, which relates only indirectly to conditions that increase employment; it focuses in areas where purchasers wish to be assured of supplies, and these may be "bottleneck" areas in which increased employment can do little over short periods to make additional supplies available.

Another approach to the problem is in terms of the effects of unemployment itself on the economy. Growing unemployment is feared as part of the process by which a decline cumulates. The worker who is unemployed loses his income and is forced to curtail his consumption; this in turn requires the reduction of output and employment elsewhere in the economy. Preventing this is the object of the Social Security program. By maintaining at least a moderate income for the unemployed worker and his family, it breaks the process of cumulative decline. In so doing, it extends the tolerable volume of unemployment and helps make possible, as in 1949, sustained consumption while income is falling.

Again, it is necessary to consider what represents suitable points for control action. Even the best of our stabilizing devices in other fields — thermostatic or mechanical — have limits of tolerance within which controls do not operate. The past two years of continuous boom have indicated that unemployment may fluctuate over a fairly considerable range without changing the basic situation. Taking drastic compensatory action when unemployment is still at a moderate level may subsequently prove self-defeating. Some of the things that may be done to prevent a decline can be done only once; and if they are done at a time when unemployment is only 2½ million, part of the ammunition that might be used to compensate a much more serious recession will have been expended. In short, there is an appropriate range of "no action" in unemployment policy as in other fields and that range includes volumes of unemployment somewhat above the desirable goal for maximum employment.

Dealing With Unemployment Problems

Measures for dealing with unemployment problems must be adapted to the kind of situation that prevails and to the nature of the unemployment that exists or is anticipated. Even when unemployment is moderate, so that job-creating action is unnecessary, there is still a need for facilitating transfers of individuals from one job to another. Such action is needed not only to enable those who want jobs to locate the jobs available but also to prevent local or industrial maladjustments in the labor supply. The complexity of our social organization allows the individual worker little opportunity to do anything about even this "normal" situation. From his point of view, either there are jobs for workers with his qualifications, or there are not, and that is all there is to it.

To a considerable degree the same considerations apply to business enterprises. The businessman may have no alternative to laying off workers in a decline; and if he is in a dying industry, one that is being displaced by new products, no government action to maintain total employment will meet his needs.

(Continued on page 9)

PLASTICS

During the postwar years, the manufacture of plastics has become one of the largest and most successful branches of the chemical industry. Most of the outstanding progress in the production of plastic materials has been made in the last decade, although celluloid, the first plastic, dates back to 1868 when it was developed as a substitute for ivory in billiard balls. Several other plastics, including Bakelite, were discovered before 1910.

Plastic Products — A Billion Dollar Industry

Although there are only about 30 producers of plastic materials in the country, there are over 3,500 manufacturers who convert these materials into a great variety of articles and parts for other products. In general, the manufacturers of plastic materials do no finishing work, but ship their products in the form of sheets, rods, flakes, or liquids to the processors.

The production of plastics has increased more than 600 percent in the past ten years. With a total 1949 production of 1.5 billion pounds, the annual tonnage of plastic materials now exceeds that of most of the nonferrous metals, including aluminum. At their present rate of expansion, the plastics will soon surpass even copper, the largest of the nonferrous group.

Two of the leading corporations in the industry manufacture plastic materials in Illinois. The Bakelite Division of the Union Carbide and Carbon Corporation has a plant at Ottawa, and the United States Rubber Company manufactures plastics in Chicago.

There are many different methods of fabricating finished plastic products. Raw plastics may be extruded into continuous tubing or filaments or they may be heated and rolled into film or sheeting. Liquid plastics are used as protective coatings and as adhesives in laminating layers of cloth, paper, or wood. Other processes include injection molding, casting, bonding, and coating.

The record output of plastic products last year was slightly above the 1948 level, and it is expected that the rapidly growing industry will hit new highs this year. A product value of over $1 billion is predicted for 1950, double the 1947 figure.

In 1947 the Census of Manufactures ranked Illinois third in the production of plastic products with a product value of $56 million, about 11 percent of the $503 million total for the nation. At that time there were about 150 Illinois firms in the industry, concentrated in Chicago.

Today the manufacture of plastic products and parts is one of the State's fastest growing industries, and more and more Illinois manufacturers are turning to plastics as industrial materials. It is important, therefore, that consumers and businessmen become familiar with the plastics family and its promise for the future.

Primary Plastics Materials

There are about 15 major types of plastics, or synthetic resins, most of them discovered in the past twenty years. They are either of the thermosetting type, whose products are formed by heat and pressure into final irreversible shapes, or they are thermoplastic and can be shaped under heat, hardened by cooling, and remelted and reformed at will.

Thermosetting plastics are the heavy industrial plastic materials. They include the phenolics, caseins, melamine, and urea. The oldest and most versatile have been the phenolics, the first and most popular of which was Bakelite. Phenolic plastics are widely used for such products as television and radio cabinets and washing-machine agitators. Urea and melamine have been popular for small molded products such as tableware and buttons and are increasingly used in textile and paper treating.

There are two types of thermoplastics, the cellulosics and the synthetics. The former are partly a natural product, the result of the reaction of chemicals and cellulose from cotton or wood pulp. They were among the first plastics and have been familiar materials in toothbrushes, sunglasses, and transparent packaging.

The cellulosics, however, have been largely superseded by a new group of completely synthetic thermoplastics, the fastest growing branch of the plastics family. The most familiar of these new products are nylon, the vinyls, and acrylics such as Plexiglass and Lucite.

Among the most versatile of the plastics are the vinyls. They have revolutionized the production of phonograph records, and are widely used in the manufacture of garden hose, upholstery, screens, and film and sheeting items for food packaging, curtains, and raincoats.

Vinyl compounds have led the plastics industry in recent years, but a newcomer named polyethylene seems likely to take over in popularity. Invented in 1943, polyethylene is the fastest growing synthetic plastic. Tough and waxy, it can be blown like glass into squeezable bottles, and comes in forms ranging from semi-rigid unbreakable kitchenware to films for moisture-proof bags.

Synthetic Fibers

Although it is not usually classified as a plastic, rayon was the pioneer in the synthetic textiles field. Nylon, put on the market in 1939, was the first of the completely synthetic fibers and was so successful that the development of new man-made fabrics has become a major concern of the chemical industry.

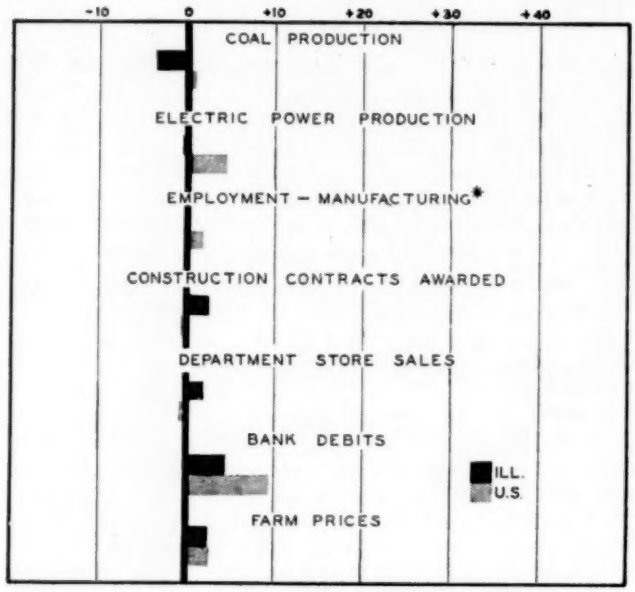
Orlon and Dynel, two of the most promising of the new synthetic yarns, will be ready for commercial production this fall. Dynel varies in weight from soft cashmere to coarse wool and is shrink-proof, fire-resistant, and immune to insects and deterioration. Orlon is similar to silk in its filament form and is quick-drying, wrinkle-resistant, and porous. As a wool-like staple it takes a lifetime crease and is expected to become a popular material for men's and women's suits.

Synthetic fibers are only one of many examples of the diversity of plastic materials and products that has caused their manufacture to be regarded as one of the nation's outstanding growth industries.

STATISTICAL SUMMARY OF BUSINESS ACTIVITY

SELECTED INDICATORS

Percentage Changes April, 1950, to May, 1950



* Figure for Illinois not available.

ILLINOIS BUSINESS INDEXES

Items	May 1950 (1935-39 = 100)	Percentage Change from April 1950	Percentage Change from May 1949
Electric power[1]	265.4	−0.3	+10.5
Coal production[2]	117.9	−3.3	+ 5.1
Employment—manufacturing[3]	n.a.	.....	.....
Payrolls—manufacturing[3]	n.a.	.....	.....
Dept. store sales in Chicago[4]	229.2[a]	+1.4	− 1.0
Consumer prices in Chicago[5]	175.3	+1.4	+ 0.6
Construction contracts awarded[6]	555.0	+2.4	+83.3
Bank debits[7]	291.8	+4.2	+ 5.8
Farm prices[8]	229.7	+6.2	+ 2.4
Life insurance sales (ordinary)[9]	201.9	+9.2	+12.7
Petroleum production[10]	240.7	+0.8	− 1.6

[1] Fed. Power Comm.; [2] Ill. Dept. of Mines; [3] Ill. Dept. of Labor; [4] Fed. Res. Bank, 7th Dist.; [5] U. S. Bur. of Labor Statistics; [6] F. W. Dodge Corp.; [7] Fed. Res. Bd.; [8] Ill. Crop Repts.; [9] Life Ins. Agcy. Manag. Assn.; [10] Ill. Geol. Survey.
[a] Seasonally adjusted. n.a. Not available.

UNITED STATES MONTHLY INDEXES

Item	May 1950	Percentage Change from April 1950	Percentage Change from May 1949
	Annual rate in billion $		
Personal income[1]	213.3[a]	− 0.2	+ 1.5
Manufacturing[1]			
Sales	241.2[a]	+ 8.6	+13.6
Inventories	31.5[a, b]	+ 1.0	− 6.2
New construction activity[1, *]			
Private residential	11.8	+15.0	+52.9
Private nonresidential	7.9	+ 9.0	− 2.8
Total public	7.0	+15.6	+ 5.4
Foreign trade[1]			
Merchandise exports	9.9	+ 2.0	−24.5
Merchandise imports	7.9	+13.2	+22.0
Excess of exports	2.0	−27.0	−70.1
Consumer credit outstanding[2]			
Total credit	19.1[b]	+ 2.6	+20.5
Installment credit	11.7[b]	+ 3.1	+31.3
Business loans[2]	13.4[b]	− 0.5	− 0.9
Cash farm income[3]	21.1	+13.9	− 8.2
	Indexes (1935-39 = 100)		
Industrial production[2]			
Combined index	193[a]	+ 1.6	+10.9
Durable manufactures	228[a]	+ 2.7	+13.4
Nondurable manufactures	181[a]	+ 0.6	+12.4
Minerals	143[a]	+ 2.1	− 1.4
Manufacturing employment[4]			
Production workers	152[a]	+ 2.2	+ 3.8
Factory worker earnings[4]			
Average hours worked	106	+ 0.5	+ 3.4
Average hourly earnings	241	+ 0.5	+ 2.9
Average weekly earnings	256	+ 1.0	+ 6.3
Construction contracts awarded[5]	570	− 0.2	+53.1
Department store sales[2]	291[a]	− 0.3	0.0
Consumers' price index[4]	169	+ 0.8	− 0.4
Wholesale prices[4]			
All commodities	194	+ 2.0	+ 0.1
Farm products	217	+ 3.4	− 4.0
Foods	202	+ 3.0	− 2.4
Other	182	+ 0.8	+ 0.5
Farm prices[3]			
Received by farmers	231	+ 2.5	− 2.4
Paid by farmers	203	+ 1.2	+ 0.4
Parity ratio	97[c]	+ 1.0	− 3.0

[1] U. S. Dept. of Commerce; [2] Federal Reserve Board; [3] U. S. Dept. of Agriculture; [4] U. S. Bureau of Labor Statistics; [5] F. W. Dodge Corp.
[a] Seasonally adjusted. [b] As of end of month. [c] Based on official indexes, 1910-14 = 100. [*] Data revised; not comparable with figures in previous issues.

UNITED STATES WEEKLY BUSINESS STATISTICS

Item	1950					1949
	June 24	June 17	June 10	June 3	May 27	June 25
Production:						
Bituminous coal (daily avg.) ..... thous. of short tons	1,770	1,740	1,768	1,689	1,681	1,989
Electric power by utilities ..... mil. of kw-hr.	6,102	6,012	5,921	5,632	5,894	5,466
Motor vehicles (Wards) ..... number in thous.	196.3	195.6	191.4	138.4	179.1	145.4
Petroleum (daily avg.) ..... thous. bbl.	5,276	5,269	5,228	5,128	5,041	4,889
Steel ..... 1935-39 = 100	216.1	215.9	216.3	216.7	217.4	174.3
Freight carloadings ..... thous. of cars	810	806	796	710	781	803
Department store sales ..... 1935-39 = 100	250	302	302	261	282	247
Commodity prices, wholesale:						
All commodities ..... 1926 = 100	157.1	156.7	157.4	156.8	156.1	153.5
Other than farm products and foods .. 1926 = 100	148.3	148.3	148.2	147.7	147.6	145.4
28 commodities ..... August, 1939 = 100	264.4	262.9	269.4	266.9	263.5	230.3
Finance:						
Business loans ..... mil. of dol.	13,532	13,459	13,394	13,359	13,359	13,292
Failures, commercial ..... number	147	178	164	168	214	196

Source: *Survey of Current Business, Weekly Supplements.*

RECENT ECONOMIC CHANGES

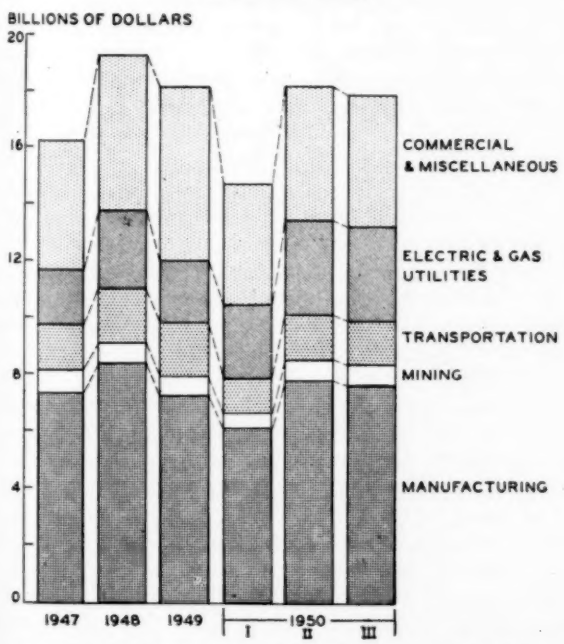
Production Still Booming

Production of durable goods is still the main factor in booming business activity. The steel industry, operating at more than rated capacity, turned out nearly 2 million tons of castings and ingots weekly during the month and still failed to keep ahead of the demand. At least three steel producers — Republic, Bethlehem, and National — have recently announced plans for plant expansion to boost their output. Construction work, automobiles, and machinery are taking the lion's share of the record steel output. The automotive industry, still confounding pessimists with no apparent sag in the postwar market as has been suffered by other industries, continues to set new records with nearly 200,000 units turned out weekly. June production is put at more than 850,000 cars and trucks, and the six-month total at more than 3,750,000 vehicles. Sales of machine tools are also staying high as manufacturers modernize their plants to keep pace with new developments.

Plant Expenditures Turn Up

Revised estimates of industrial spending on new plant and equipment reflect the high level of business activity. Whereas businessmen were inclined to discount the boom somewhat at the first of the year and consequently cut down projected capital expenditures, their renewed optimism is now indicated by sizable upward revisions in planned additions to producers' equipment for all major industries except mining. A joint Department of Commerce-Securities and Exchange Commission survey shows that second quarter outlays were expected to total $4.5 billion, 6 percent higher than previously estimated and only $130 million below expenditures in the second quarter of 1949. Moreover, the shift upward is now expected to continue into the third quarter, contrary to previous forecasts. Strike-caused shortages of capital goods may have been partly responsible for the drop in the first quarter and unfulfilled projects added to anticipated expenditures for subsequent quarters.

CAPITAL EXPENDITURES BY BUSINESS
(at annual rates)



Source: U. S. Department of Commerce; Securities and Exchange Commission.

As shown in the accompanying chart, outlays by manufacturing firms account for the largest portion of total expenditures and are generally being well maintained or expanded. Expenditures by the mining and transportation industries, though still below last year, are rising. It has been reported that the Association of American Railroads will soon recommend to rail carriers that they add about 40,000 gondola and flat cars, at a cost of some $200 million, to meet the requirements for these types of cars. Utilities continue to make the strongest showing, with second and third quarter planned expenditures above the corresponding periods of 1949 and only slightly below the peak fourth quarter.

Employment Gains

Contrary to pessimistic expectations for employment of the June high school and college graduates, unemployment rose 327,000, much less than the expected seasonal increase which occurs at the end of the school year, but remained below the June, 1949, level. Employment jumped by 1.7 million to a total of 61,482,000, just under the July, 1948, peak of 61,615,000 workers. Most of the gain in employment was seasonal, as farm and construction work increased, but some of it directly reflects improved business conditions. Nonagricultural employment, at 52,436,000, was exceeded only by the months of July and August, 1948. Census data, in thousands of workers, are as follows:

	June 1950	*May 1950*	*June 1949*
Civilian labor force	64,866	62,788	63,398
Employment	61,482	59,731	59,619
Agricultural	9,046	8,062	9,696
Nonagricultural	52,436	51,669	49,924
Unemployment	3,384	3,057	3,778

Weekly earnings for production workers rose again in May for the sixth consecutive month. An increase of 57 cents for 11.8 million manufacturing employees raised the average to $57.50, a new record. Most of the gain from April was attributed by the BLS to lengthened working hours in primary metals, durable machinery, and home building supplies industries. In May, 1949, average weekly earnings were $54.08. Hours worked for all manufacturing averaged 39.9 in May, 1.3 hours over May, 1949.

Rent Control and Record Construction

A short-term extension of rent control was approved by the Congress and the President in June. The new bill extends controls to December 31, 1950, and gives cities authority to keep controls for an additional six months if they choose. If no positive action is taken by the municipalities, however, rent regulations will expire at the end of the year.

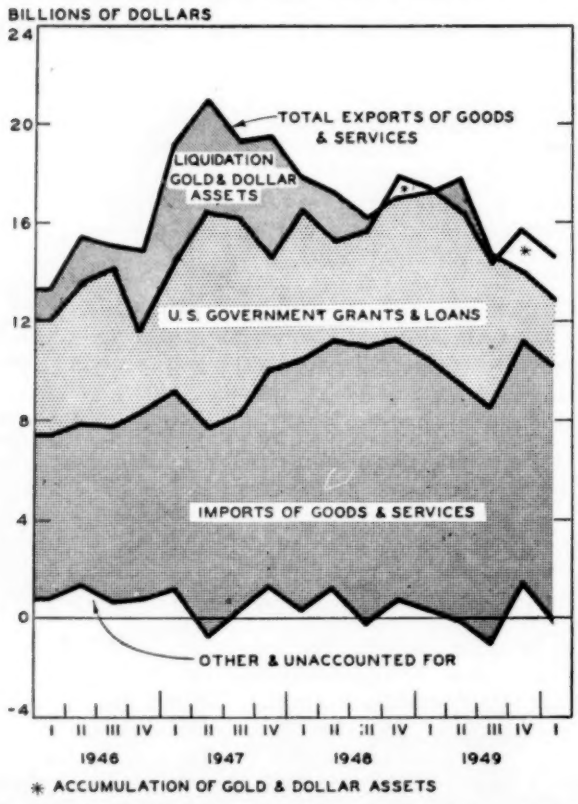
Residential construction continued to expand in May and set a new monthly record of 140,000 dwelling units started. The five-month total of 538,000 housing starts equals last year's total for the first seven months. Dollar value of new private nonfarm housing for the first half, at $5.1 billion, was nearly 50 percent higher than outlays in the first six months last year. Total expenditures for the year are expected to be about a third higher.

Thomas S. Holden, President of F. W. Dodge Corporation, believes that the current high level of construction mainly reflects economic growth factors in the United States and that, in consequence, the present demand is well-supported. It is pointed out, too, that even the record dollar volumes in 1948 and 1949 absorbed only about 9 percent of the national income as compared with 15 percent in the previous peak years of the later 1920's. Mr. Holden, however, appears to expect that there will be a shift of some degree from home building, as demands for housing are met, to industrial and other nonresidential building.

Trade Gap Narrows

The most recent data on the U. S. balance of payments indicate that the gap between exports and imports of goods and services narrowed still more in the first quarter. The difference of $2.6 billion was the smallest since the end of the war and $10 billion below the postwar peak. As shown in the chart, an increasing proportion of our exports is paid for with imports and a decreasing percentage is supported by government grants and loans to other countries. Some of the shift is attributed to the recovery of imports, which are closely related to the level of industrial activity in the United States, but the main factor has apparently been a decline in our exports as foreign countries lessened their abnormal dependence on U. S. production and began to produce for exchange among themselves. For instance, whereas only about 40 percent of our exports was paid for with imports at mid-1947, in the first quarter this year nearly 80 percent was financed with imports; in the prewar years 1935-39, imports paid for about 85 percent of our exports.

HOW U. S. EXPORTS ARE FINANCED



Source: U. S. Department of Commerce, Office of Business Economics.

Errors and omissions, which ranged as high as $522 million in the second quarter of 1947, are combined in the chart with private investment, which amounted to no more than $468 million in any one postwar quarter. In consequence, a negative figure appears in four quarters as the recorded means of financing exports in those periods exceeded recorded exports.

The accumulation of gold and dollar reserves by foreign countries, especially the ERP nations, is a noteworthy aspect of these developments. Even though such reserves for Marshall-Plan participants have increased by $600 million since devaluation, total reserves of $6 billion at the end of the first quarter were substantially the same as at the beginning of ERP and were still more than $2.5 billion below reserves at the end of the war. The Department of Commerce in its report points out that ERP countries are still operating with reserves equal to less than the value of a quarter's imports, whereas in prewar years their reserves were about equal to the value of 9 months' imports.

Manufacturers' Sales Increase

A further increase in manufacturers' sales occurred in May to bring total monthly sales to $19.4 billion, more than 10 percent over May, 1949. After seasonal adjustment, sales amounted to $20.1 billion, 9 percent above April and a postwar record. Durables gained by 18 percent, nondurables by 10 percent.

Inventory book values also increased in May, contrary to their usual movement for the month. About two-thirds of the $300 million rise appeared in durable goods but was generally shared among hard-goods-producing industries. The rise of $100 million in soft goods was concentrated mainly in textiles.

New orders, after dropping off somewhat in April, recovered to reach a total of $19.5 billion in May, 5 percent over the previous month. The entire increase occurred in nondurable goods, which have generally been lagging behind the stronger durable-goods segment.

Retail sales, seasonally adjusted, were up slightly from April, rising to a total of $11.2 billion. Chief factors were expanded residential construction and automobile sales in the durables group. Other categories of durables were marked by small decreases. In total, nondurables sales rose only slightly with small contrasting movements appearing among the various subgroups.

Prices Up Slightly

The BLS wholesale price index rose fractionally during June to 157.0 (1926 = 100) in response to a slight increase in prices of all commodities other than farm products. Textile products and building materials were the main causes of the rise. Farm products and foods were subject to contrasting movements, with farm products dropping 1.5 percent and foods rising 0.7 percent.

Agricultural prices remained virtually level during the month ended June 15. Prices paid rose 1 point to 255 (1910-14 = 100) as living costs, especially food prices, rose. Prices received showed no change at 247 percent of the base period average. The parity ratio remained at 97.

Consumer prices advanced for the fourth month from April 15 to May 15. A 0.8 percent increase to 168.6 percent of the 1935-39 average was caused mainly by a 1.9 percent increase in food prices, although rents and miscellaneous goods and services also were up fractionally. The rise of 0.8 percent is the largest in a year during which the index has varied only between 166.5 and 169.6.

BUSINESS BRIEFS

PUBLICATIONS AND DEVELOPMENTS OF BUSINESS INTEREST

Plastics Handbook

The 1950 edition of the Modern Plastics Encyclopedia and Engineers' Handbook has been issued by Breskin Publications. A well-known reference work of the plastics industry, it provides comprehensive coverage of all phases of plastics design and production and has been especially prepared for use by manufacturers, engineers, and industrial designers who are using or contemplate using plastic products, films, coatings, or component parts.

Labor Statistics Report

The Bureau of Labor Statistics has collected recent salary data for more than 20 office occupations in eleven major cities. These data, which are being published in bulletin form, will include a summary of work schedules, paid vacations, paid sick leave, paid holidays, nonproductive bonuses, and insurance and pension plans financed, at least in part, by the employer. Bulletins are now available for eight of the cities, including Chicago and Indianapolis.

Galvanizing Compound

A cold galvanizer designed to protect iron and steel from rust and corrosion is being produced by the Zinkrich Company, Incorporated. It gives as complete protection as hot-dipping methods, yet can be applied with a brush or spray. Large, built-up steel and iron structures can now be galvanized without being dismantled and transported to hot-dipping facilities, and the welded seams and fittings of previously galvanized sheets can be protected after construction. The compound is also useful in touching up hot-dipped galvanized material that has been worn or damaged.

1949 Manufactures Survey

The Bureau of the Census has announced that many of the figures published in the 1947 Census of Manufactures will be brought up-to-date by a sample survey covering 1949 developments. The survey will provide summary Census statistics on all important industries for the United States, most of the states individually, and all important industrial counties and metropolitan areas. It is expected to be available by late 1950.

Industrial Coatings

The makers of Johnson's Wax have developed a new wax coating that gives aluminum, steel, and other metals a dry coating that is resistant to salt spray, high humidity, and outdoor exposure. It is easily applied by dipping, brushing, or spraying and leaves a transparent film that cannot be removed by handling but may be wiped off with ordinary solvents.

A coating that makes aluminum outwear case-hardened steel is being produced by the Glenn L. Martin Aircraft Company. Applied by an electro-chemical process, it makes possible the use of aluminum for items formerly requiring heavier metals. It was designed to take advantage of lightweight aluminum in aircraft manufacture, and the company is already substituting aluminum coated with the new finish for steel in many moving parts of its products.

Low Pressure Boiler

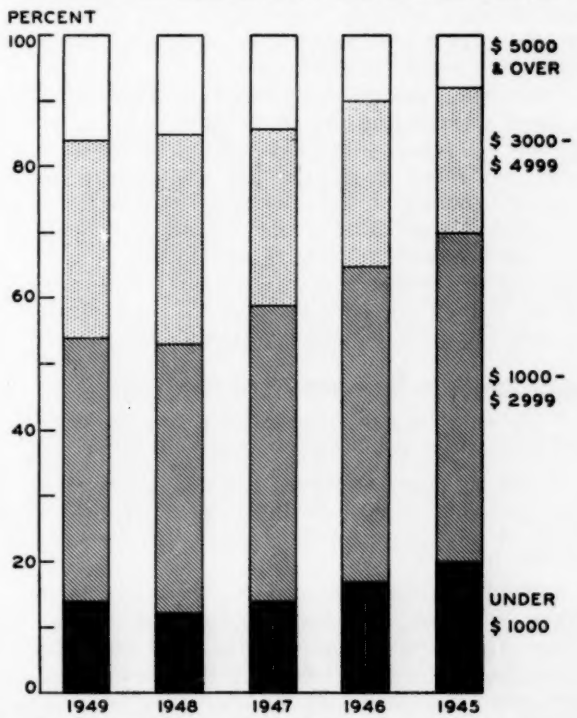
Production of a low-pressure, high-temperature heating boiler has been announced by the Livingstone Engineering Company, Worcester, Massachusetts. The boiler produces steam with a special liquid that can be delivered and circulated through ordinary piping and functions like water except that its boiling point is much higher.

Consumer Finances

The fifth annual Federal Reserve Board Survey of Consumer Finances, which was conducted in the first two months of 1950, reveals that the general financial position of consumers appears to have been fairly well maintained during the economic readjustments of 1949. The Survey, reported in the June issue of the *Federal Reserve Bulletin*, showed that consumers' plans to buy durable goods at the beginning of 1950 were as extensive as buying plans reported in early 1949. Frequency of spending in excess of current income was at its highest level in the postwar period, however. A poll of consumer opinion disclosed that about as many consumers believed that their financial position had improved during the year as believed that it had worsened.

Although personal incomes remained high, as shown by the chart, for the first time in the postwar period an increase occurred in the proportion of low-income spending units. The percentage of intermediate incomes declined from 55 in 1948 to 51 last year, but there was almost no change in the proportion of units with incomes over $5,000. The number of families reporting year-to-year increases in income was the smallest of the postwar period.

INCOME GROUPING OF SPENDING UNITS



Source: *Federal Reserve Bulletin.*

PROPOSED REVISION OF NATIONAL FARM LEGISLATION

H. C. M. CASE, Head, Department of Agricultural Economics
College of Agriculture, University of Illinois

Wartime regulations under the Steagall amendment extended, at 90 percent of parity, price supports for selected farm products for two years after the declared end of the war or until January 1, 1949. The 1948 Hope-Aiken Act sought to replace high fixed price supports with flexible price supports. This Act was replaced by the 1949 Anderson Act, which delayed making the flexible price support feature fully operative until January 1, 1952.

At the present time the government has invested approximately $4 billion in loans and purchases of corn, wheat, cotton, dried milk, butter, eggs, and potatoes. The storage of farm products is continuing. Current high price supports tend to encourage production, adding to excessive supplies. This accumulation of products will make it difficult for any farm program to operate successfully. If government holdings of farm products continue to increase, present farm legislation may prove ineffective.

Objectives of Sound Farm Programs

With this situation confronting agriculture, it is well to consider what should be the major objectives of a sound farm program. Current experience indicates that high fixed price supports require the use of controls which tend to prevent the interaction of supply and demand as the principal guide to production. In the past the operation of supply and demand has encouraged farm production on the best adapted soils and in the best locations. Also, the initiative of farmers in achieving efficient production free of governmental controls has been a major factor in our national economy. This helped to release more than 80 percent of our workers to produce goods other than food and to render other services. Looking to the future, we need to emphasize the maintaining of desirable features established from past experience and to develop agriculture in a way which will contribute to a sound national economy, improve the diet of consumers, and encourage international trade outlets for farm products on a sound exchange basis.

Specifically, the following program is presented as a means of encouraging the adoption of cropping systems that will (1) conserve and develop soil resources to meet present and future needs; (2) help to prevent agriculture from contributing to an unbalanced national economy; (3) maintain and develop the initiative of farmers to follow efficient production methods; (4) make government control of agriculture unnecessary; and (5) reward farmers for definite constructive accomplishment instead of resorting to production and marketing controls.

Major Issues in Revising Farm Programs

Experience suggests four major points of attack upon farm production and human nutrition problems.

1. *Encourage the adoption of cropping systems to conserve and develop soil resources to meet present and future needs.* The major proposal of this discussion emphasizes this point.

2. *Provide price-support floors to protect farmers in periods of severe depression.* A price support is to the farmer what a minimum wage is to a laborer. For a limited number of products, the level of the support floor would be between 50 and 75 percent of parity, but because of their different characteristics the same level of price support does not seem to be desirable for all supported products. Tobacco might be an exception, with continued higher price supports and controlled production, because of its position as a producer of state and Federal revenue and because of the fact that it uses so small a part of the total land area.

3. *Help operators of uneconomic-sized farm units to make the adjustments needed to improve their economic situations.* The problems of uneconomic farm units should be treated as a program separate from a farm price support or soil conservation program for the 50 percent of farms that produce only 10 percent of the farm products sold. The criticism is made that some farms have become too large (or that their type of organization and operations interferes with the best use of our resources). In general, the approach to this type of problem might be accomplished through progressive income taxes, which already have gone far in distributing income among our total population. It may be better, therefore, to seek the regulation of large units through taxation than to place restrictions on them which discourage efficient production.

4. *Encourage improved dietary habits.* Changes in dietary habits are to a considerable extent a matter of education. The school lunch project is undoubtedly doing much toward establishing improved food habits for the oncoming generation. If good food habits could be established for our entire population, together with regular employment conditions, most "surplus" farm products would be consumed in a better standard of living.

Proposed Program For Agriculture

This program has two major features: (1) the use of price supports will be limited to providing a floor under prices for major farm products at 50 to 75 percent of parity, to prevent a collapse in farm prices in depression periods; and (2) to make payments to farmers to stabilize farm income. These payments would be dependent upon good land use. This would be accomplished by paying farmers for leaving tillable land in grass or legumes (or fallow where grass and legumes are not normally grown). This might be regarded as paying a rental to farmers who desire to cooperate on a voluntary basis in building up their soil resources (a rental for the land being conserved). For example, in many of the best land areas not over 10 to 15 percent of the tillable land is left in grass and legume hay or pasture crops. However, in the interest of permanent agriculture a minimum of 20 to 25 percent of the land in these areas should be used for such crops.

An advantage of the plan is that a standard of performance would be established for each county. The average performance in a county, as shown by the 1950 Census, would be used as a standard for that county. A farmer would not be paid for average land use but only for raising the level of sound land use. In brief, this plan would base payments to farmers on the percentage of tillable land grown to grass and legume hay or pasture crops in excess of the average amount grown in the county. In dry land farming areas the payment might be based on land left in both grass and fallow. Furthermore, the rate of payment would increase as the percentage of

Percent of tillable land in hay and pasture	Payments for added acreage in hay and pasture	Cumulative payments for added acreage
12	$ 0	$ 0
13	2	2
14	4	6
15	6	12
16	8	20
17	10	30
18	12	42
19	14	56
20	16	72
21	18	90
22	20	110
23	22	132
24	24	156
25	26	182

tillable land in hay and pasture on a given farm was increased above the average percentage for the county. For example, assume that in a Corn-Belt county 12 percent of the tillable land is grown to hay and pasture but that 25 percent is regarded as desirable for hay and pasture. Payment to farmers would be graduated accordingly. An illustrative schedule of payments based on 100 acres might be as shown above:

This rate of pay illustrates the principle of the proposed plan rather than the desirable rate of payment. Payments to farmers under this plan could be adjusted from year to year for changes in the general price level, with the objective of helping to maintain total agricultural income on a basis that would keep agriculture in balance with the total economy. Even though it might be necessary to make adjustments in Federal appropriation of funds to make up for low farm income in the previous year, Congress might increase the appropriation for a new year as a post-payment to help maintain a healthy agricultural situation which would contribute to the national economy. Naturally, the rate of payment should vary from county to county depending upon the value of the agricultural production of the county and its degree of sound land use. A means of determining the amount of payment available to a county would be to consider the average long-time value of agricultural products produced in the county. This is a brief outline of a proposed new approach to the "agricultural problem."

Advantages of the Proposed Plan

The advantages of the proposed plan are:

1. It would reward the farmer for caring for his soil and following good farming practice. Improving soil productivity would help to reduce production costs, as well as to insure adequate future production at low cost.

2. Increasing the payment at an accelerated rate as the percentage of tillable land in hay and pasture increases would encourage a farmer to raise his acreage of soil-improving crops to an optimum level.

3. A reasonable price-support floor under staple farm products would replace high price supports and serve to protect farmers from a price collapse. The payment for tillable land in hay and pasture crops would serve as the major incentive to farmers to direct production on a voluntary basis and would eliminate the need to rely on controls except when prices fall to the price-support floors. The need for controls on production or marketing would thus be held to a minimum.

4. The plan should materially reduce the costs of administration, because only the acreage of tillable land in hay and pasture (and fallow) would need to be determined.

5. Market prices determined by supply and demand would serve as a guide to farmers in deciding the proportions of different products to produce.

6. Putting more land into hay and pasture would encourage the production of more livestock and thus help to improve the diet of consumers.

7. Instead of encouraging the storage of excessive supplies which tend to depress current prices, the plan would store future production in the soil itself (or in the form of livestock) and thus provide an ever-normal future granary.

8. The program would help to insure a better-balanced national economy.

9. The cost of the program would be limited by the appropriations made to support it.

Full Employment Policy

(Continued from page 2)

Similarly, in particular localities whose major activities are in a declining phase, shifts of both business and labor may be extremely difficult; and any substantial shift away from the area may aggravate the problems of those remaining. There is much to be said in these circumstances for "distressed area" programs to develop sound opportunities for production and employment within the area.

Many of these special unemployment problems must be regarded as the proper sphere of the Employment Service. Transferring workers to the jobs that are offered is its basic function; and in the ideal, it should be organized to retrain workers and to promote necessary shifts from easy to tight labor markets and thus facilitate adjustment of the labor supply to the work available.

Only when changes in employment are large and general, in the broad sweeps of the business cycle, is large compensatory action called for. When inflation threatens, it is obviously desirable to apply restraints, as by cutting government expenditures. If spending cannot be cut, tax increases may produce the desired effect; and ultimately, if spending continues to increase beyond the limits of taxation, as in wartime, there may be no alternative to price controls and rationing. When depression threatens, the opposite types of action are called for. Measures that will facilitate or stimulate private actvity are clearly the first resort. Unemployment compensation automatically comes into play, but is unable to hold the line. It could be made more nearly adequate by extending it to cover almost all workers and to utilize accumulated reserves fully in the event of a major decline, but it could not entirely solve the problems of a serious depression. Ultimately, there may be no alternative to the expansion of government employment programs.

Today, we view the business scene optimistically. If Korea remains a local incident, there seems little danger of serious inflation. Deflation, on the other hand, seems unlikely to be faced in the near future. Do we, therefore, have good reason to defer needed action? Or are we merely leaving the leaks in the roof for another day? VLB

LOCAL ILLINOIS DEVELOPMENTS

Gains were noted in most Illinois business indicators in May. Construction contracts value, at $92 million, was the second highest monthly figure on record. Department store sales in the State were 6 percent above April and 3 percent above last May. Coal and electric power production, down slightly from April, were well above the May, 1949, level.

The Illinois Department of Labor reported total manufacturing employment in May at 1,138,000, up 0.5 percent from April and also slightly above last year. The rise was concentrated in the durable goods industries, principally metal products and machinery manufacturing. Greatest gain was reported by the Peoria-Pekin area, with Champaign-Urbana, Danville, Joliet, Kankakee, Quincy, and Springfield also showing significant gains.

Construction

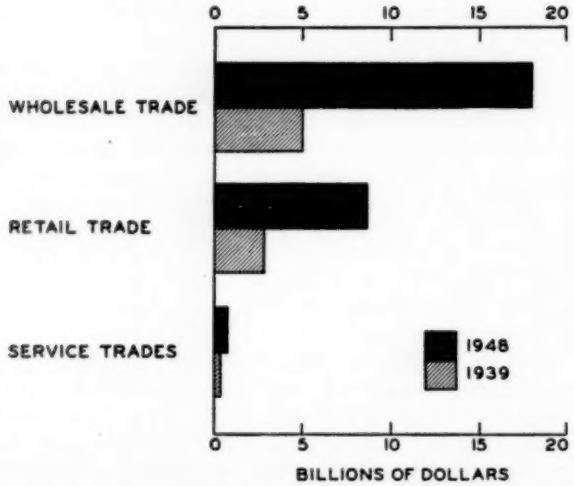
Construction contracts awarded in the State in May approximated $92 million, 2 percent above last month's high and 83 percent greater than last May. Total building during the first five months of 1950 was 43 percent greater than in the same period last year. Residential building more than doubled during the period.

Value of building permits issued in 20 Illinois cities in May was 18 percent above April and 54 percent greater than last May. Belleville, East St. Louis, and Elgin reported the greatest monthly gains.

The Chicago Association of Commerce and Industry reported that investment in industrial plant facilities in the Chicago Industrial Area in June aggregated $21 million, bringing the total for the first six months to $140 million.

The Texas-Illinois Natural Gas Pipeline Company will soon start construction of a new 1,331 mile pipeline from Texas to terminals near Joliet and Volo, Illinois. The line will cost $117 million and is to be finished by the end of 1951. Illinois Power Company was recently authorized to install and operate a $130,000 gas distribution system at Columbia, and the Union Electric Power Company was empowered to extend its gas distribution line from Alton to Godfrey.

WHOLESALE, RETAIL, AND SERVICE TRADES RECEIPTS, ILLINOIS, 1939 and 1948



Source: 1948 Census of Business.

Bids on $1.3 million worth of road improvements in 13 counties were announced by the State Highway Department in June.

Motor Products Corporation, Deepfreeze Unit, at North Chicago has purchased 50 additional acres of land and is constructing a factory unit of approximately 300,000 square feet. American Cyanamid is beginning construction of a $3 million plant in East Chicago. The new plant will be used for producing cracking catalysts and will increase the company's capacity for producing synthetic catalysts by more than 50 percent.

Prices

The index of consumers' prices in Chicago on May 15 was 175.3 percent of the 1935-39 level, up 1.4 percent from mid-April and 0.6 percent above May, 1949. The increase was due in large part to a rise in food prices. Peoria and Springfield also reported advances in food prices. The Peoria index of retail food prices in mid-May was 214.3 percent of the 1935-39 average, 2.6 percent above mid-April and 0.9 percent above last May. The Springfield food price index rose 3.5 percent during the month and on May 15 was 209.0 (1935-39 = 100).

The all-commodity index of prices received by Illinois farmers rose to 256 percent of the 1910-14 base on May 15. This was a 6-percent gain over April and was due to increases in prices of both crops and livestock products. Meanwhile, the over-all index of prices paid by farmers rose only one percent to 254, resulting in a parity ratio of 101, the highest since September, 1949.

1948 Census of Business — Illinois

The dollar volume of trade in Illinois retail, wholesale, and service establishments more than tripled in the 9-year period, 1939-48, according to preliminary figures from the 1948 Census of Business, recently released. (See chart.) A large part of the increase was, of course, due to the higher price level in 1948.

Total retail sales in the State in 1948 aggregated $8.8 billion, an increase of 207 percent over the $2.9 billion in 1939, the date of the preceding Census of Business. Wholesale sales rose 260 percent over the same period, reaching a total of $18.0 billion in 1948 as compared with $5.0 billion in 1939.

The importance of Chicago as a wholesale market is brought out by the chart, which shows that total 1948 wholesale sales in the State were approximately double retail sales. Nationally, retail sales in 1948 were in excess of total wholesale sales.

Service trades included in the Census showed receipts totaling $748 million in 1948 as compared with $264 million in 1939, an increase of 183 percent. Hotel receipts increased from $69 million in 1939 to $148 million in 1948, and receipts of amusement businesses reached $170 million in 1948, compared with $76 million in 1939.

A total of 207,000 additional employees were added to the payrolls of firms covered by this Census during the 9-year period. Retail trade establishments reported 484,000 full- and part-time paid employees for the work week ended nearest November 15, 1948, as compared with 353,000 in 1939. Employment in wholesale trade establishments rose from 126,000 to 180,000 over the same period. Paid employees in the service trades covered by the Census numbered 100,000 in November, 1948, which exceeds the 1939 figure by 28 percent.

COMPARATIVE ECONOMIC DATA FOR SELECTED ILLINOIS CITIES

MAY, 1950

		Building Permits[1] (000)	Electric Power Consumption[2] (000 kwh)	Estimated Retail Sales[3] (000)	Department Store Sales[4]	Bank Debits[4] (000,000)	Postal Receipts[5] (000)
ILLINOIS		$27,416[a]	761,338[a]	$362,430[a]		$9,095[a]	$10,750[a]
Percentage Change from.....	Apr., 1950....	+17.7	+2.4	−2.2	+6.2	+4.2	−1.2
	May, 1949...	+53.9	+9.1	n.a.	+3.3	+5.8	+6.5
NORTHERN ILLINOIS							
Chicago		$18,491	599,213	$333,041		$8,256	$9,352
Percentage Change from...	Apr., 1950....	+19.8	+2.8	−2.7	+6.3	+3.6	−2.3
	May, 1949...	+51.2	+7.7	n.a.	+3.0	+6.5	+5.7
Aurora		$ 650	n.a.	$6,113		$ 35	$ 82
Percentage Change from...	Apr., 1950....	−36.5		+6.0	+5.2	+8.2	+0.8
	May, 1949...	+51.9		n.a.	+6.0	+10.8	+18.5
Elgin		$ 340	n.a.	$4,664		$ 24	$ 65
Percentage Change from...	Apr., 1950....	+74.4		+4.0	+5.6	+5.3	+10.1
	May, 1949...	−11.7		n.a.	+10.1	+12.3	+19.6
Joliet		$ 796	n.a.	n.a.		$ 39	$ 64
Percentage Change from...	Apr., 1950....	+38.7			+19.6	+7.7	+4.9
	May, 1949...	+218.4			+2.3	−0.4	+39.0.
Kankakee		$ 227	n.a.	$4,098		n.a.	$ 26
Percentage Change from...	Apr., 1950....	+40.1		+3.6	+8.1		−10.6
	May, 1949...	+191.0		n.a.	+9.5		+4.5
Rock Island-Moline		$1,276	15,549	n.a.		$ 32[b]	$ 139
Percentage Change from...	Apr., 1950....	+32.6	−0.9		n.a.	+15.3	+25.2
	May, 1949...	+12.2	+11.9			+26.7	+16.7
Rockford		$1,399	21,598	n.a.		$ 102	$ 157
Percentage Change from...	Apr., 1950....	+19.2	0.0		+0.6	+4.0	−5.9
	May, 1949...	+200.2	+21.0		+6.0	+22.5	+9.2
CENTRAL ILLINOIS							
Bloomington		$ 163	4,421	n.a.		$ 42	$ 96
Percentage Change from...	Apr., 1950....	+41.7	+1.5		n.a.	+11.5	+17.5
	May, 1949...	+181.0	+17.9			+9.9	+20.0
Champaign-Urbana		$ 454	6,693	$6,440		$ 45	$ 85
Percentage Change from...	Apr., 1950....	+35.5	−5.2	−1.1	n.a.	+15.6	+9.8
	May, 1949...	+66.3	+13.3	n.a.		+25.6	+8.2
Danville		$ 258	6,632	n.a.		$ 33	$ 47
Percentage Change from...	Apr., 1950....	+67.5	+1.1		+4.4	+2.1	−2.0
	May, 1949...	+138.9	+23.2		−1.4	+7.1	+10.8
Decatur		$ 775	14,055	n.a.		$ 69	$ 84
Percentage Change from...	Apr., 1950....	+23.8	+3.4		+1.2	+3.4	+1.1
	May, 1949...	+19.2	+20.6		+8.0	+17.0	+6.2
Galesburg		$ 304	4,522	$3,613		n.a.	$ 26
Percentage Change from...	Apr., 1950....	−30.4	+2.9	+6.0	n.a.		−1.7
	May, 1949...	+92.4	+8.9	n.a.			−1.1
Peoria		$ 646	41,525[c]	n.a.		$ 181	$ 175
Percentage Change from...	Apr., 1950....	−29.6	+3.9		+4.6	+17.5	+5.4
	May, 1949...	+143.8	+14.3		+5.2	+9.1	+14.1
Quincy		$ 264	5,764	$4,461		$ 30	$ 66
Percentage Change from...	Apr., 1950....	−14.0	−8.4	+3.2	−5.0	+10.2	+6.7
	May, 1949...	−24.1	+10.8	n.a.	−8.0	+8.8	+6.8
Springfield		$ 679	18,548[c]	n.a.		$ 72	$ 188
Percentage Change from...	Apr., 1950....	+53.6	−3.9		+16.1	+5.1	+15.6
	May, 1949...	+36.9	+8.1		+10.1	+9.2	+5.3
SOUTHERN ILLINOIS							
East St. Louis		$ 307	8,784	n.a.		$ 112	$ 44
Percentage Change from...	Apr., 1950....	+100.7	+6.5		n.a.	+19.4	+10.1
	May, 1949...	+27.9	+10.3			+10.8	+12.1
Alton		$ 69	10,024	n.a.		$ 24	$ 25
Percentage Change from...	Apr., 1950....	−44.4	+6.6		n.a.	+6.7	+10.4
	May, 1949...	−63.3	+17.8			+15.0	+19.7
Belleville		$ 318	4,010	n.a.		n.a.	$ 29
Percentage Change from...	Apr., 1950....	+109.2	+0.6		n.a.		+0.2
	May, 1949...	+396.9	+11.1				+5.5

Sources: [1]U. S. Bureau of Labor Statistics. Data include Federal construction projects. [2]Local power companies. [3]Illinois Department of Revenue. Data are for April, 1950, the most recent available. Comparisons relate to March, 1950. [4]Research Departments of Federal Reserve Banks in Seventh (Chicago) and Eighth (St. Louis) Districts. [5]Local post office reports.

[a] Total for cities listed.

[b] Moline only.

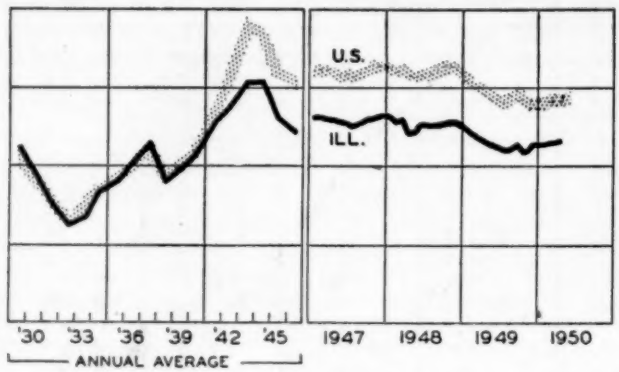
[c] Includes immediately surrounding territory.

n.a. Not available.

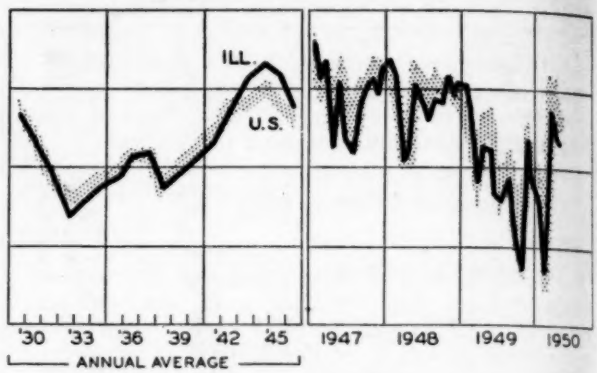
INDEXES OF BUSINESS ACTIVITY

1935-1939 = 100

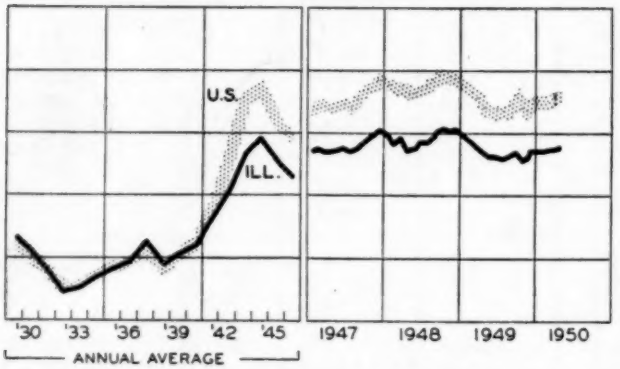
EMPLOYMENT-MANUFACTURING



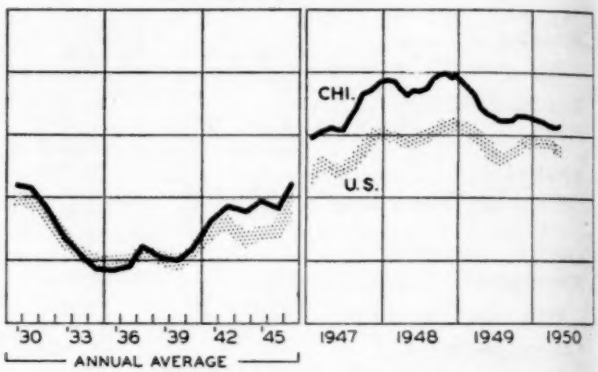
COAL PRODUCTION



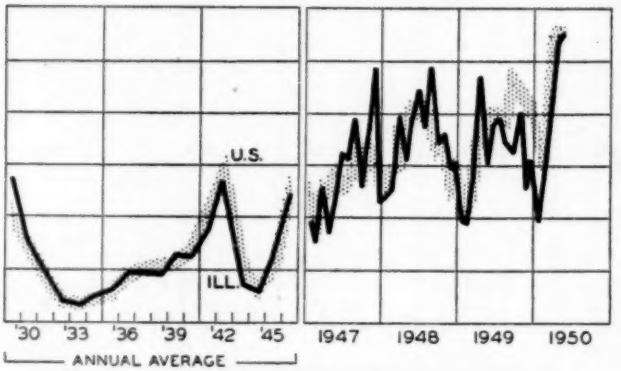
PAYROLLS-MANUFACTURING



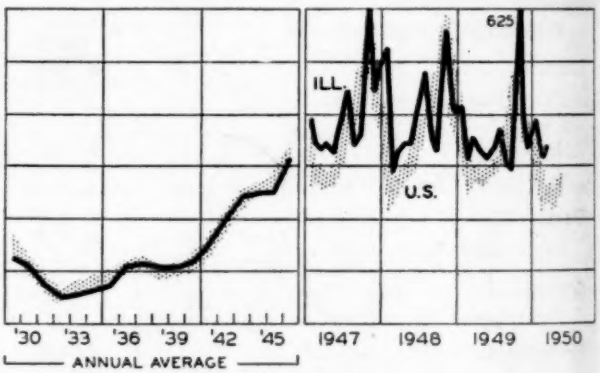
BUSINESS LOANS



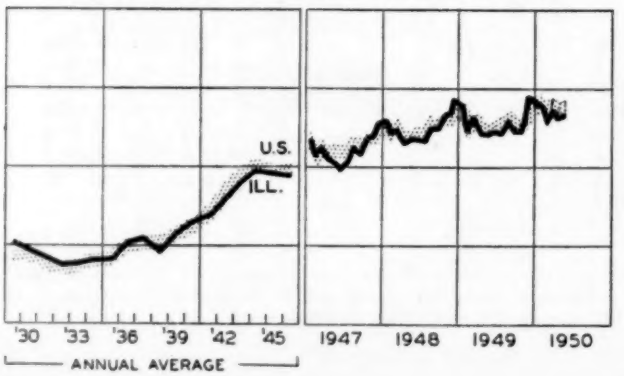
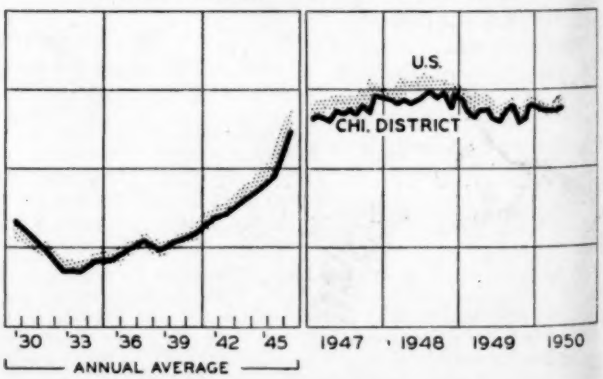
CONSTRUCTION CONTRACTS AWARDED



CASH FARM INCOME



ELECTRIC POWER PRODUCTION



DEPARTMENT STORE SALES